SJR 22 Joint Subcommittee on Health Care and Health Insurance

57th Montana Legislature

MINUTES

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Fourth Meeting of Interim
Room 137, State Capitol
February 14, 2002

SUBCOMMITTEE MEMBERS PRESENT

Rep. Joe McKenney
Sen. Jon Ellingson
Sen. Dorothy Berry
Sen. Jerry O'Neil
Sen. Glenn Roush
Rep. Kathleen Galvin-Halcro
Rep. Bob Lawson
Rep. Gary Matthews
Rep. Bill Price
Rep. Trudi Schmidt
Rep. Bill Thomas

SUBCOMMITTEE MEMBERS EXCUSED

Sen. Linda Nelson
Sen. Royal Johnson
Rep. Michelle Lee

STAFF MEMBERS PRESENT

Gordon Higgins, Research Analyst
Eddye McClure, Staff Attorney
Bart Campbell, Staff Attorney
Lois O'Connor, Secretary

AGENDA AND VISITOR'S LIST

Agenda, (ATTACHMENT #1)
Visitor's List, (ATTACHMENT #2)

SUBCOMMITTEE ACTION

- Approved the minutes from the November 29, 2001, meeting as amended
- Approved a task force of all stakeholders, including the Governor's Office, the State Auditor's Office, and two each of the Republican and Democrat Subcommittee members, be formed to review refundable tax credits for individuals and small businesses of 10 employers or less

CALL TO ORDER

The meeting was called to order by Rep. Joe McKenney, Chair, at 9:30 a.m. Attendance was noted; Senators Nelson and Johnson and Representative Lee were excused. (ATTACHMENT #3)

Several Subcommittee member indicated discrepancies in the attendance record at the November 29, 2001, meeting minutes. Corrections to the attendance record were made to the original minutes which are on file in the Offices of the Legislative Services Division.

Rep. Schmidt **moved** the adoption of the minutes as amended. Motion passed unanimously.

HEALTH CARE SPENDING IN THE NEXT BIENNIUM: WHAT TO EXPECT

Curt Nichols, Office of Budget and Program Planning (OBPP), stated the following:

- The good news is that the state ended the last biennium and began this biennium with $62 million more than it expected.
- During the current biennium, there is a draw down of $57 million.
- Not included in the current biennium budget are fire costs, supplementals, and emergency costs.
- Those costs are set at approximately $12 million; and with another bad fire season and more program shortfalls, the figure could range as high as $30 million.
- Current revenue shortfalls are estimated to be $30 million.
- If revenues deteriorate further, next year could report a loss as well.
- As a result, the state could begin the next biennium with no surplus or extra funds that could be used or drawn to fund program expansions.
- Normally, Montana would see a revenue growth of between $100 and $150 million from one biennium to the next.
- Although the state would begin the next biennium with a deficit--spending more on an annual basis than it is taking in. The deficit is approximately $35 million a year.
- If spending goes forward at its current rate, the state will have to draw down approximate $70 million on the new revenues to cover the ongoing expenditures.
- In addition, current law makes commitments into the next biennium. A number of expenditures and expenditure programs, such as school entitlement schedules, pay raises, and provider rate increases, are phased in so the full cost is not felt in the current biennium.
- These phase ins will take approximately $50 million out of the next biennium, and the state would like to see a $50 million ending fund balance.

- The big unknown is what will happens to revenue in the next biennium. The deficit will be $30 million a year higher than what was planned.
- If those scenarios play out, there will be no money available for increased expenditures.
- Wharton Econometrics (the state's economic forecasting firm) projects that the state will not hit the bottom of the unemployment cycle until late summer and that there will be a slow growth coming out of the cycle.
- The National Association of Budget Officers also projects that the state budget difficulties will lag the turn around of the recession by approximately 12 to 18 months.
- The state is anticipating much revenue difficulty for the next year to 1 1/2 years.

Some Subcommittee members expressed disappointment that the presentation from the OBPP did not state the position of the Administration in terms of the amount of revenue it was willing to allocate to address the crisis of health care insurance, the uninsured, and health care costs. They felt that the problems could not be solved without the commitment of revenue. It was Mr. Nichols' understanding that the Subcommittee wanted to know the condition of the current general fund budget and stated that he did not have information on the amount of funds that would be available to commit toward those purposes because he has not been involved in discussions with the Governor. However, within the current revenue structure, revenue streams, and demands, there will be no general fund money left for major expansion unless reductions are made in other programs. If the Subcommittee was talking about something in the range of $1 million or less per year, there were ways to find that amount within priorities. However, if it is talking about revenue in the range of $30 to $50 million, it will have a much different problem.

Rep. McKenney said that with the upcoming tight budget and if the Subcommittee was going to establish a program that requires revenue, it will need to find the funding whether it be cuts in additional programs or new revenue sources. The Subcommittee will review the issue.

GOVERNOR'S PROPOSED HEALTH CARE SUMMIT: PRELIMINARY OBJECTIVES

Jean Branscum, Health and Human Services Policy Advisor, Governor's Office, stated the following:

- Governor Martz's main objective in holding the Health Care Summit is to have an open dialogue with health care professionals, business owners, and the general public about the issue and to develop workable solutions for the state.
- The summit planning is in its initial stages.
- The Governor's Office looks at the Health Care Summit as an opportunity to bring together those who are working on elements of the issue, to highlight what they have learned, and where they are going.
- It would like to highlight the efforts of the Subcommittee, the State Auditor, and the Governor's Task Force on Workforce Shortage.
- The Governor also plan to use the Summit to bring in people on the federal level. Secretary Tommy Thompson has been invited to the Summit to share information about President Bush's health budget and health initiatives.
- The National Governor's Association was asked to help organize the Summit and to secure national speakers.
- The Governor's Office anticipates much information to be shared during the first part of the Summit, leaving the afternoon open to focus on specific topics, such as the uninsured, employer health care plans, state health care plans, and what can be done during the legislative session to address problems.

- The Summit will be tentatively held in Bozeman on either May 17, 21, or 22.
- Ms. Branscum invited Subcommittee staff to join the Summit planning committee and invited Subcommittee members to participate in the Summit.

Sen. Ellingson asked if the Governor was following the efforts of the Subcommittee. Ms. Branscum said that the Governor was kept abreast of the Subcommittee's efforts through Subcommittee minutes and what has been provided by Subcommittee staff. Sen. Ellingson said that if the problem of health care insurance and health care cost was going to be addressed, there must be a commitment of resources from the state. He asked in the absence of a revenue commitment on the part of the Governor, what would be gained by the Governor's Summit other than more talk and was the Governor prepared to raise taxes to provide the revenue necessary to make a substantial contribution toward addressing the problem. Ms. Branscum said that at this point, the Governor was just looking to hold the Summit and to lay out all of the issues. The Governor's Office was also very interested in exploring the uninsured problem of the state. The Summit Committee will apply for a state planning grant through the Department of Public Health and Human Services (DPHHS). The average grant is $1.3 million. Sen. Ellingson encouraged the Governor to grasp the problem and face up to the responsibility that the state is going to have to find the revenue or the problem will not be addressed.

RECENT BUDGET AND POLICY DECISIONS RELATED TO MEDICAID

Maggie Bullock, Administrator, Health Policy and Services Division, DPHHS, stated the following:

- The problem came to light late last fall that expenditures in the Medicaid program would exceed the budget given to the Department by the Legislature.
- The main problem lies in the Health Policy and Services Division and the four remaining Divisions that affect Medicaid.
- Meetings were held among the Divisions to discuss where reductions could be made and they tried to proportionately spread those cuts across the board.
- The Department also had a short time to decide where the cuts would come from.
- Rather than holding public meetings before adopting emergency rules, the Department requested written comments from interested persons and a public hearing on the permanent rules was held on February 7, 2002.

The following are concerns and questions from the public hearing and written comments:

- The Montana Hospital Association was concerned about the co-pay increase because it creates a cost shift.
- Hospitals must bill for co-pay and they often do not get paid.
- Providers were concerned that the total brunt of the cuts where put on the business community.
- A question was asked if the Department was tracking fraud in the Medicaid system.
- The Department has a restricted-card program; and if it finds fraud or abuse of the system, cardholders are limited to one physician and one pharmacy, they are monitored closely, and they are audited annually.
- The Department was asked if it had taken a 2.6% cut in its budget.
- The entire Department has taken many cuts through the process, both general fund and the public health side.
- The Department was asked what it was doing to restrict Medicaid enrollment.

- The Department would never develop a plan on the restriction of Medicaid enrollment unilaterally because it would increase the number of uninsured people in the state.
- The Department rescinded the 2.6% cut to providers of home-care services for severely ill children and raised the provider rate to the Medicaid waiver rate after a concerned raised by a provider of home-care services in western Montana. The cost of maintaining a child in the hospital is approximately $430,000 a year. If kept in their homes, the cost is approximately $130,000 a year.
- The MHA suggested that the Department change the way it looked at reimbursing critical access hospitals and its cost-to-charge ration, both in inpatient and outpatient services. The Department is reviewing this suggestion.
- The Department was asked to look at more inter-governmental transfers and is reviewing the possibility of generating more Medicaid dollars without spending general funds.
- The Department is also applying for a state planning grant through the federal Department of Public Health and Human Services.
    - The requirement to be awarded the grant are states have one of the lowest rates of uninsured in the nation or states will make a commitment to eradicate as much of the uninsured problem as possible.
- The Department is also looking at available waivers
    - The problems with waivers are that enough general fund must be found to put toward the waiver and the waiver must be budget neutral.
    - One of ways to do this is to limit eligibility in Medicaid, limit the number of services provided, or decrease benefits within the basic Medicaid package.

Sen. Ellingson requested that the grant application be shared with the Subcommittee, particularly in the area of what the application is going to include to demonstrate that the state is serious and has the ability to reduce the number of medically uninsured in the state.

Rep. Schmidt asked for more information on the grant. Ms. Bullock said that states that received the grant had a resolution or commitment in place that they were going to follow. Montana needs to find someone who can acquire very accurate figures on the number of uninsured in the state. The Department feels that it is approximately 19%. Part of $1.3 million expenditure will be used for that, in addition to bringing people and stakeholders together for meetings. The Department also needs someone to manage the effort over the next year.

Rep. Lawson asked that the Department not lose sight of people and businesses who have insurance but who are having difficulty keeping it. He asked if the grant included the remaining 80%. Ms. Bullock said that the 80% needs to be talked about and included in the process. The focus needs to be on the uninsured, but there will be more uninsured citizens if the economy does not turn upward.

Rep. Price asked about the Medicaid deductible. Ms. Bullock said the Medicaid deductible began at 2% ($200). Rep. Price felt that Medicaid was an individual benefit not a part of the small business burden. Ms. Bullock said that the Department has small providers across the state that are small businesses, such as small pharmacies and physicians set up in private practice in the more rural areas. Generally with larger providers, Medicaid is not a large share of their business; but with smaller providers, it can be. Rep. Price asked if the problem was that the larger co-pay was not getting paid. Ms. Bullock said that it was not the case that everybody does not pay, but if families are having a difficult time putting food on table, the co-pay is the last to be paid.

Rep. Schmidt asked Ms. Bullock to expand on the budget as it relates to the waiver. Ms. Bullock said that when a waiver is done, it means that the cost of providing services through the waiver cannot exceed what was paid without the waiver. The federal waivers state that plans established by the states for Medicaid recipients must equal the benefit packages for state or federal employees. The Department must conduct a cost analysis to make sure that if it equaled those benefit packages, it did not exceed what it was currently paying without a waiver.

Rep. McKenney asked about the time frame for submitting and completing the application for waiver. Ms. Bullock said that the application is due April 15, 2002. Meetings with the stakeholders will be held in the next month to establish some draft ideas. The key to the application is what the state proposes as solutions to the problem. The Department does not currently have in place deadlines for all of the things that need to take place, but she would keep the Subcommittee informed.

SUMMATION OF STATE-WIDE ROUNDTABLE DISCUSSIONS

John Morrison, Commissioner of Insurance, State Auditor's Office, provided an overview of his Health Care Roundtable Community Discussions and provided a summary of policy recommendation incurred from those discussions. (EXHIBITS #1 and 2 respectively)

Rep. Thomas asked about the percentage of farm and ranch owners and employees who were uninsured. Commissioner Morrison said that farm and ranch communities are one of the hardest hit by this problem. Many people from farm and ranch communities participated in the roundtable discussions. The State Auditor's Office recommends reviewing individual tax credits because many of those people are not in a situation where they have a traditional employment environment that can use the small business tax credit. To date, data on the number of uninsured is not available on farm and ranch communities. However, if the state receives the $1 million planning grant it has applied for, a study could be conducted on this issue.

Rep. Schmidt asked for an expansion of the statement that the Bush Administration wants to give states a second chance to use the unspent CHIP funds that were returned. **Claudia Clifford, State Auditor's Office**, said that the federal government has not issued its guidelines on its second chance proposal to date. It has been a new initiative by the federal Department of Health and Human Services to make available those refunded federal dollars.

Rep. Schmidt asked why private-sector, small-group purchasing pools did not work. **Bill McDonald, Executive Director, Community Health Options**, said that the concept behind purchasing pools was that administrative costs could be reduced and a standard benefit plan could be offered to small employers, using larger employers as incentives. In the process of establishing the pool, the outstanding issues were first the limited competition in Montana. Montana has only two communities with more than one hospital. Providers in other areas in Montana would ask, "What incentive do we have to work with you? If you are asking me to reduce my costs to provide services to your membership because you want me to become competitive, the next competitor is 150 miles down the road." There is no incentive for providers to compete.

Second, many other states have limited their health plan's ability to rate a risk by the individual's medical conditions or past history to just age and gender. The Community Health Option was attempting to create a purchasing pool where employers would be attracted to join in an

environment where individual insurers were able to look at the risk of an individual employer group. What was found is that insurers would offer lower-risk employers a premium that was lower than what they would have offered for the general pool because the pool was accepting people who have a higher risk. Low-risk employer groups were getting a bid that was much less than what could be offered as a pool. As a result, The Community Health Option was unable to get interest by insurers.

Third, is that insurers were free to admit and offer low-risk employers insurance while the proposed pool would get the high-risk employers. If the pool offered high-risk employers insurance through a competitive bid, it would lose money. Mr. McDonald added that there are three health insurance plans in Montana that could offer a broad range of provider services. If one drops out, there is virtually one option to offer in many areas of the state.

Sen. Roush asked if the State Auditor's Office received many calls to offer incentives to establish purchasing pools for medical care and prescription drugs. Commissioner Morrison said that his office receives 35,000 calls a year from Montana consumers, and the proposed purchasing pool mentioned by Mr. McDonald is the only purchasing pool idea that he has heard of. However, his office has received many call about establishing multiple employer welfare arrangements (MEWA) where communities of business gather together to create a self-insured arrangement. In addition, his office has not received receive calls related to creating a purchasing pool for prescription drugs, but it has received numerous calls every week from people who are suffering from the cost of prescription drugs and asking if something can be done.

Rep. Lawson asked if the State Auditor's Office was working with the MEA-MFT on their plan to form a purchasing pool. Commissioner Morrison said that his office has not been working on the details of the MEA-MFT plan but it has been talking with them about the plan. It is his understanding that the MEA-MFT plan will be a K-12 pool that is separate from the state plan.

Eric Burke, MEA-MFT, said that the MEA-MFT testified before the Governor's Task Force on School Funding that public school employees should be examined as a means to better equalize and more adequately support schools throughout the state. As a result, the Task Force recommendations allowed health insurance costs to be added to the local retirement levies of school districts. The MEA-MFT has been trying to focus on a broader solution that would provide a complete health care pool to all public school employees in the state. Senate Bill No 228, as introduced in the 1997 Session, asked the state Board of Investments to make an up-front investment to cover the on-going costs and immediate start up costs of the pool and it allowed school districts to buy into the pool arrangement for their employees with the possibility of offering additional coverage on top of a basic state plan. The MEA-MFT will be offering the same idea in the 2003 Session and it is trying to the keep general fund impact as minimal as possible.

Rep. McKenney asked about the estimated cost of the refundable tax credit. Commissioner Morrison said that the tax credit could be as large or as small as wanted. What needs to be reviewed is how much money it would cost in order to offer enough of a tax credit to move the numbers; how much of a tax credit does a business need in order to get them to buy insurance; and in order to put enough of those tax credits together to move significant numbers, what will the price tag be.

Rep. Matthews said that he remembered several unfavorable discussions about a tobacco tax increase during the 2001 Session. He asked if discussions about the tobacco tax were held with the Governor's office or Leadership. Commissioner Morrison said his office has talked with a number of the majority party leaders but has not talked directly with the Governor's Office. His perception from the discussions is that there is an appreciation that something needs to be done and that there is an appreciation across party lines that if revenue is needed, the revenue source that the public would be most supportive of is a tobacco tax. Beyond that, his office has no commitment from the leadership of either party or the Governor's Office on the tobacco tax proposal. However, his office is going forward with the proposal because it think that the proposal has a good chance. His office has also received feedback from the Republican Leadership that a referendum may be more palatable than direct legislation.

Rep. Price asked about the difference between a tax credit for individuals and small businesses versus the reimbursement process. Commissioner Morrison said that the disadvantage of the reimbursement process is that there are many people who have very low-incomes who are not paying that much in taxes or they need the money up front because they cannot front the cost of insurance. In order to address both of these problems, policy figures have suggested that the tax credits be refundable (receive it even if a person does not pay that much in tax) and advanceable (receive the money up front) so that the insurance can be paid for. Rep. Price suggested that the State Auditor's Office review giving people the option. Even though some people may be in the low-income bracket, they may have employers who can afford the majority of the insurance premium with the employee making up the difference. He asked if thought was given to including city, county, and municipal employees in the purchasing pool concept. Commissioner Morrison said that he has met with Gordon Morris (MACo) and Alec Hansen (MT League of Cities and Towns) who are interested in a purchasing pool. His office will work with them if they choose to do that. However, there are some cities and counties that are not interested in a statewide purchasing pool.

Rep. Schmidt asked for a clarification of a "basic health care plan". Commissioner Morrison said that the idea of a basic plan was more than the state could bite off in this biennium. Washington State developed the Washington Basic Health Care Plan, and it is receiving additional new funding from its increase in the tobacco tax which brought it up to $1.42. There are also other state plans, such as Badger Care in Wisconsin which has possibilities because it eliminates Medicaid and other state programs and folds them into Badger Care. The advantage to Badger Care is its seamlessness to consumers and it takes away the stigma associated with Medicaid. Rep. Schmidt asked what the other states were doing to keep their percentage of people without health insurance coverage lower than Montana's percentage. Commissioner Morrison said that under Badger Care, Wisconsin has the lowest percentage with 7.4%. His office is still trying to figure out what the secret to the success of the other states, such as Iowa North Dakota, South Dakota, and Minnesota. It is very difficult to separate what is and was is not working.

PUBLIC COMMENT

Clyde Daily, Associate State Director, AARP Montana, provided a copy of State Pharmacy Assistance Programs 2001: An Array of Approaches. (EXHIBIT #3) He said there are 137,000 AARP members in Montana and the cost of prescription drugs is a priority for them. There are some approaches that AARP members would like to work on with the Subcommittee, the 2003

Legislature, and into the future. AARP members want the money to be found to solve this problem because they do not want to have family, friends, and citizens to be making choices between food, lights, and drugs.

Dave Kendall, Progressive Policy Institute, Missoula, said that there are mainstream core values present throughout the country. One represents achieving a public responsibility through private means. It is a way of expanding health care coverage without expanding bureaucracy, and it reinforces the link between work and health care benefits. Welfare programs can be a disincentive for people to join them. By having people take some responsibility for their own coverage with the assistance of a tax credit, it helps bring more people into the system. Even though the Subcommittee is reviewing all of the things that the state can do, it should not ignore what the federal government can and should also do. The basic reason that there is such a high rate of uninsured people in Montana is because the tax codes discriminates against state's that have low incomes and larger numbers of small employers. Montana has among the highest percentage of small business in the country and it has one of the lowest per capita income. This problem needs a federal solution. He felt that the Subcommittee be part of the national debate over how to focus on the inequities that exist in the tax code. In addition, what is missing in the Subcommittee discussion is the tendency to focus on health care costs and forget about the purpose of health care which is health. People generally believe in prevention and there are many dollars to be saved by reviewing health.

Keith Colbo, Pfizer, provided a brief description of the Pfizer Share Card Program. (EXHIBIT #4) He requested the Subcommittee's assistance in explaining the Share Card Program to their constituents, that the program is available to them, what the program is, and refer their constituents to the toll free number in Exhibit #4. He said that Montana has a Medicare population of 134,000. Of that number, there are potentially 46,000 people in Montana who are eligible for the Share Card.

Melissa Sundberg, Children's Health Advocate, Bitterroot Covering Kids, provided written comments on the Bitterroot Covering Kids Health Care Access Initiative. (EXHIBIT #5)

Tom Burnett, Business Owner, Bozeman, said that the revenue to increase participation or create a new health care program is not to be found among his 12 employees. The uninsured he knows are not desperate, they are uninsured by choice. He also cautioned the Subcommittee about modeling a health care system around what other states are doing. Montanans are 46th or 47th in income and they cannot afford experimentation as other states can. He said that most of the problems do not originate in Helena, they originate in Washington D.C. and most Montanans are financially tapped out.

Beth Sirr, Leo Pocha Clinic, Helena, said that taxes are dues paid by citizens so that all people can share in the cost of services needed to keep communities healthy and high functioning. Basic health care should fall under that umbrella. She said that government is paying for health care, but it is being done in a piece meal fashion that is very inefficient. She said that she liked the idea of a basic health care group plan but the group should be thought of as the entire state. She works at a sliding scale clinic, and it does not work to have insurance tied to work. Most employers do not pay for health insurance. Sick people who need health insurance the most often cannot work; and if they are working, the cost of buying their medications overwhelms their budgets.

Mike Cooney, Health Mothers Healthy Babies (HMHB), said that the issue health care costs and insurance is going to take a group effort. HMHB and its advocates have been involved in writing grant applications to do several of the issues brought up. It is just completing a Robert Wood Johnson grant called "Covering Kids" that focuses on identifying uninsured children and finding the right program for them to be covered under. HMHB is also hopeful to receive another grant call "Covering Kids and Families". The resources that we have, the work of HMHB advocates, and the on-the-ground experience may work very well, and it is willing to work with DPHHS and the Subcommittee.

Alec Hansen, Montana League of Cities and Towns, said that the League runs a small health insurance pool through Blue Cross and Blue Shield of MT (BCBSMT). The program has worked well for approximately six years. In the last two year, the program has experienced a 20% increase due to its claims experience and medical inflation. It relates to the problem of the uninsured in Montana which has to be addressed in one way or another. Larger cities are self-insured and some of their programs are now running into problems. In the past, the League has never been able to get its larger cities into a municipal health care pool. Currently, there is interest in establishing a municipal pool or a public agency pool. There is no magic in the numbers unless there are changes in the system, such as the uninsured. The League is also exploring a different approach to doing it. Just establishing a pool is not the solution. The League is currently trying to find consultants in the insurance business that may show a new and better way to provide insurance to municipal employees across Montana.

Webb Brown, Montana Chamber of Commerce, said that members of the Chamber anguish over trying to provide coverage to their employees and it is a major issue for them. The Chamber is also reviewing pooling among its members. A number of its members are pursuing wellness programs as well. The Chamber is interested in reviewing the possibility of increasing health care coverage through tax credits and to increase the usage of the available programs that are underutilized at this time. The big thing about tax credits is how they will be paid for and how will they be structured. He urged that the Subcommittee in its deliberations makes sure that the state keeps its existing insurance coverage while, at the same time, finds ways to expand them and to keep in mind that tax credits are a temporary fix. If health care costs continue to grow, it does not matter what credits are thrown at it. The Subcommittee should also address the increasing cost of health care, medical access and increasing doctor liability insurance, expanding CHIP, and creative medical plans.

Steve Turkiewicz, Montana Auto Dealers Insurance Trust, said that before the Subcommittee could effectively evaluate solutions, it must first find out where Montana is today. It needs to find where the doctors and hospitals are, what is it costing, and where are health care services being delivered. An inventory of health care services and facilities within the state should be conducted before any policy changes take place.

Joseph Knabe, Cardiologist, Missoula, said that the Subcommittee does have a blueprint for incremental changes that will buy some time. Montanans live on 80 cents on the dollar of what most Americans live on. Health care costs are sky rocketing, not because of inefficient use but because the population is expanding. Rising cost does not fit with Montana, and citizens must realize that the appetite for what they want is much greater than the ability of their pocket books to service that. He encouraged the Subcommittee to possibly review sometime down the road

what Oregon has been doing because it has limited Medicaid services in order to provide some services to all.

Tanya Ask, BCBSMT, said that BCBSMT has been exploring the concept of tax credits for health insurance. BCBSMT also supported the efforts of the Montana Comprehensive Health Association (MCHA) program, the expansion of the CHIP, and would like to see better use of federal appropriations that may be available. In addition, BCBSMT has spoken with members of the medical community across the state. One comment heard was that Montana needed to introduce the idea consumerism in the use of health care services. Individual patients need to be involved in the receipt of their care, in maintaining their health, and the wise use of the available dollars. Having a health care service inventory would help.

SUBCOMMITTEE DISCUSSION AND PRIORITIZATION OF POLICY OPTIONS

Gordon Higgins, Research Analyst, Legislative Services Division, provided an overview of the Subcommittee's options for reducing the number of uninsured and controlling the cost of health care. (EXHIBIT #6)

Rep. McKenney requested that the Subcommittee keep in mind its task, highlight the challenges, offer broad recommendations, and prioritize where it can offer specific recommendations for further study with the eye toward possible legislation.

The Subcommittee requested additional information on the following issues:

- a review or legal analysis of the tobacco trust settlement and tobacco tax--what it can be used for and whether a design exists on the expendable portion of the trust going into the next biennium;
- the federal match for the CHIP funds, the DPHHS grant and what it entails, and further information on the testimony of Mr. Kendall related to mainstream core values across the country;
- the Montana Health Care Advisory Council and the possible differences between it and the Health Care Authority; Mr. Higgins recommended that the Subcommittee determine what it can do currently, make some general long-term recommendations, and consider the possibility of an actual assignment with some expectation to whatever body it may create, such as the re-creation of the Montana Health Care Advisory Council or the Health Care Authority. Staff will produce a "white paper" along with testimony from people who served on the Advisory Council.
- the possibility of a study of income tax credits for people who provide their own health insurance and a property tax credit for older Montanans who have little income but provide their own health insurance;
- an essential basic plan with possible changes to or a tie in with the medical savings accounts;
- an evaluation of tax credits, to whom they should it be given, if they should be made universal. If the tax credit goes to an insurance company, the company should show, from year to year, if the tax credit reduces the cost of the insurance plan. Another part of the equation should be that businesses or individuals should not get the tax credit without securing and proving that they have carried insurance for 12 months out of a year;
- the cost to provide a tax credit that would be sufficient to entice people to get insurance;
- an employment ladder in the health care field and what the state can do to enhance an employment ladder, and explore what the university system and community colleges

could do to make it happen. Subcommittee members felt that it could not take on this option at this time but that it could be highlighted in the Subcommittee's final report as one of the challenges;

- purchasing pools for prescription drugs in all income categories and the feasability of an inventory of available health care services in Montana;
- co-pays related to whether some people were underpaying and whether Medicare is indexed and has co-pays;
- the possibility of the state paying for peoples' health insurance who are in the hospital, lose their jobs, and lose their insurance during the period that they need the coverage;
- the K through 12 health insurance proposal through MEA-MFT and its costs including a update to the Subcommittee as soon as it has a concrete proposal;
- purchasing pools for schools and local governments;
- what can be done to keep people in a purchasing pool once the pool is established;

The Subcommittee also discussed breaking down the options into two categories--those that require a commitment of state revenue and those that may be established that have an impact at no cost to the state--and narrowing its focus to areas where it believes that it can make a difference. There was general agreement among the members to further study the refundable tax credits for both individuals and small businesses, multi-state purchasing pools for prescription drugs, and available funding sources including the CHIP and how federal funds could be maximized.

Sen. Ellingson **moved** that a task force of all stakeholders, including the Governor's Office, the State Auditor's Office, and two each of the Republican and Democrat Subcommittee members, be formed to review refundable tax credits for individuals and small businesses of ten employers or less. Motion passed unanimously. Rep. McKenney appointed Sen. Ellingson, Chair, and Representatives Price, Schmidt, and Lawson to the task force.

FUTURE AGENDA ITEMS AND ADJOURNMENT

Staff will rewrite the Subcommittee's work plan to reflect the changes made. All Subcommittee information requests will be referred to in the Subcommittee's final study report and will be intermittently discussed at its remaining meetings.

Staff will also report to the Subcommittee on other state's programs, the Idaho resolution and what it is doing, and a discussion of the health care services inventory. In addition, the task force of the Subcommittee will report on what type of refundable tax credit it wants to investigate, what the tax credit is and its possible cost, focusing first on design and mechanics and then the cost at a later date.

There being no further business, the meeting adjourned at 2:05 p.m.

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